

# **CITY OF CAMARILLO**

Audit Report

## **SPECIAL GAS TAX STREET IMPROVEMENT FUND**

*July 1, 2008, through June 30, 2012*

## **TRAFFIC CONGESTION RELIEF FUND**

*July 1, 2008, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

January 2014



**JOHN CHIANG**  
**California State Controller**

January 8, 2014

The Honorable Kevin Kildee  
Mayor of the City of Camarillo  
601 Carmen Drive  
Camarillo, CA 93010

Dear Mr. Kildee:

The State Controller's Office audited the City of Camarillo's Special Gas Tax Street Improvement Fund for the period of July 1, 2008, through June 30, 2012. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2008, through June 30, 2011.

Our audit found that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except that the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$69,901 as of June 30, 2012, because it set aside \$69,901 of gas tax money in the Vehicle Replacement Fund.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

Attachment

cc: Bruce Feng, City Manager  
City of Camarillo  
Ronnie J. Campbell, Director of Finance  
City of Camarillo

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office audited the City of Camarillo's Special Gas Tax Street Improvement Fund for the period of July 1, 2008, through June 30, 2012. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2008, through June 30, 2011.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except that the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$69,901 as of June 30, 2012, because it set aside \$69,901 of gas tax money in the Vehicle Replacement Fund.

## Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its Special Gas Tax Street Improvement Fund. A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded its TCRF allocations in the Traffic Congestion Relief Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement Fund;
- Properly deposited TCRF allocations into an account designated for the receipt of state funds allocated for transportation purposes;

- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in accordance with the requirements of the Streets and Highways Code and Revenue and Taxation Code section 7104. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

## **Conclusion**

Our audit disclosed that the City of Camarillo accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2008, through June 30, 2012, except as noted in Schedule I and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$69,901 to the city's accounting records.

Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2008, through June 30, 2011.

## **Follow-Up on Prior Audit Findings**

The city satisfactorily resolved the findings noted in our prior audit report, issued on October 16, 2009.

## **Views of Responsible Official**

We issued a draft audit report on July 25, 2013. Ronnie J. Campbell, Director of Finance, responded by letter dated September 4, 2013, agreeing with the audit results. The city's response is included in this final audit report as an attachment.

## **Restricted Use**

This report is intended for the information and use of the City of Camarillo's management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

January 8, 2014

**Schedule 1—  
Reconciliation of Fund Balance  
July 1, 2011, through June 30, 2012**

	Special Gas Tax Street Improvement Fund <u>Highway Users Tax Allocation</u> <sup>1</sup>
Beginning fund balance per city	\$ 918,384
Revenues	<u>2,781,556</u>
Total funds available	3,699,940
Expenditures	<u>(2,837,741)</u>
Ending fund balance per city	862,199
SCO adjustment: <sup>2</sup>	
Finding—Vehicle replacement fund transfer	<u>69,901</u>
Ending fund balance per audit	<u><u>\$ 932,100</u></u>

<sup>1</sup> The city receives apportionments from the State highway users tax account, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 restricts apportionments to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems. The audit period was July 1, 2008, through June 30, 2012; however, this schedule includes only the period of July 1, 2011, through June 30, 2012.

<sup>2</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Transfer of gas tax  
money to the Vehicle  
Replacement Fund**

During the audit period, the city transferred \$69,901 of gas tax funds to the Vehicle Replacement Fund for future vehicle replacement.

Streets and Highways Code section 2101 requires that gas tax funds be spent on allowable and verifiable street expenditures.

Recommendation

The city should transfer back to the State Gas Tax Fund \$69,901 for the unallowable transfer of gas tax funds. In the future, the city should adopt policies and procedures to ensure that funds being transferred out of the State Gas Tax Fund are for actual costs incurred in accordance with the Street and Highways Code section 2101.

City's Response

The city concurs with the recommendation and will transfer unspent vehicle replacement set aside funds back to the State Gas Tax Fund.

SCO's Comment

The intent of our finding is to have all unexpended funds transferred from the Gas Tax fund to the Vehicle Replacement Fund returned. Therefore, the City should transfer the actual amount transferred of \$69,912 back to the Gas Tax Fund.



**Attachment—  
City's Response to  
Draft Audit Report**

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# *City of Camarillo*

601 Carmen Drive • P.O. Box 248 • Camarillo, CA 93011-0248

September 4, 2013

Mr. Steven Mar  
Chief, Local Government Audits Bureau  
State Controller's Office, Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Mar:

We have reviewed the draft audit report for the period July 1, 2008 through June 30, 2012 and have no other comments. Our response to the Finding and Recommendation on page 5 is below.

Response:

The City concurs with the recommendation and will transfer unspent vehicle replacement set aside funds back to the State Gas Tax Fund. Upon review of the audit schedules supporting the amount of \$69,901 stated in the finding, there were two figures on two separate schedules. A City prepared schedule shows \$69,901 which was a budgeted figure. A schedule prepared by the auditor shows \$69,912 which was the actual amount transferred. The City will transfer the amount of \$69,901, indicated in the finding, back to the State Gas Tax Fund as of June 30, 2013.

In the future, City procedures will include setting aside Gas Tax Funds for future street maintenance vehicle replacement in the Gas Tax Fund, rather than in the Vehicle Replacement Internal Service Fund.

Sincerely,

Ronnie J. Campbell  
Director of Finance

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**